



State of Wisconsin • DEPARTMENT OF REVENUE

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Assembly Biofuels and Sustainable Energy Committee Hearing, June 20, 2007

AB 371 - Creating an Income and Franchise Tax Credit for Certain Motor Vehicles and Waiving the Fee for Certain Highway Informational Signs (Rep. Albers)

Description of Current Law and Proposed Change

Under the bill, a person may claim an income or franchise tax credit for certain amounts based on the vehicle's purchase price for any of the following vehicles, if the vehicle was purchased or leased in taxable year 2008 through 2012 as a new motor vehicle, manufactured in this state, and licensed for highway use:

- A motor vehicle ("a flexible fuel" or "flex fuel" vehicle) that is capable of using both gasoline and a mixture consisting of gasoline and at least 85% ethanol (E85) as fuel.
- A vehicle ("hybrid" such the Toyota Prius) that has a chemically fueled internal combustion engine that is capable of operating on gasoline, one or more alternative fuels, or diesel fuel, or by means of a gas turbine, and is also equipped with an electric motor and an energy storage device.
- A vehicle that satisfies the requirements of the neighborhood electric vehicle test program conducted by the federal Department of Energy.
- A plug-in hybrid-electric vehicle.

Also, under the bill, a person who sells gasoline with at least 85 percent ethanol may include the symbol "E85" on the nearest Department of Transportation (DOT) highway informational sign, and is not required to pay DOT the \$40 annual permit fee for the signage.

Fairness/Tax Equity

- To the extent the bill results in cleaner air, the quality of life in the state would be improved. In addition, the bill would signal that the environment is a priority in Wisconsin.
- The credit applies only for purchases of certain vehicles between 2008 and 2012 and would not extend to purchases of high fuel economy vehicles that use conventional internal combustion engines.

Impact on Economic Development

- To the extent that the bill encourages increased ethanol consumption, the demand for corn would also increase, potentially benefiting farmers and motivating investment in ethanol production facilities.

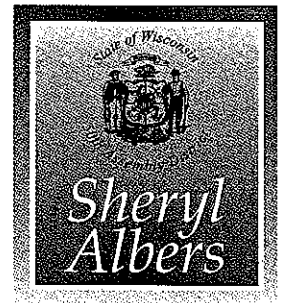
- Current federal law provides federal income tax credits for purchases of certain motor vehicles. The addition of state credits beyond the federal credits may have only a marginal effect on purchase decisions.

Administrative Impact/Fiscal Effect

- Decrease GPR \$15.9 million in FY09, assuming all credits are claimed.
- A vehicle has to be "manufactured in this state" to be eligible for the new credits. However, the bill does not provide criteria, such as the location of final assembly, percentage of assembly or other activity, to identify vehicles "manufactured in this state".

Prepared by: Blair Kruger, 266-1310

June 18, 2007



**REP. ALBERS TESTIMONY ON AB 371
FOR THE ASSEMBLY COMMITTEE ON
BIOFUELS & SUSTAINABLE ENERGY
JUNE 20, 2007**

Thank you Chairman Hahn and members of the committee for agreeing to hold a public hearing today on Assembly Bill 371. I appreciate your consideration and hope that we can use this opportunity to discuss the many ways Wisconsin can pursue renewable fuel options in motor vehicles.

Previous legislation considered and approved by this committee, Assembly Bill 85, created an income and franchise tax credit for flex fuel, or E85, motor vehicles. I strongly support homegrown biofuels like E85 and incentives like tax credits to spur their growth, but I believe that we need to go further. That is what Assembly Bill 371 does. In brief, the AB 371 does the following:

Provide income and franchise tax credits, for five years beginning in 2008, for new Wisconsin-made flex-fuel vehicles, hybrids, hybrid plug-ins and neighborhood electric vehicles that are sold and leased in this state.

The credits may be claimed for the following amounts:

VALUE OF VEHICLE	PURCHASE	LEASE
\$18,000 or more	\$500	\$100
\$17,000 to \$17,999	\$450	\$90
\$16,000 to \$16,999	\$400	\$80
\$15,000 to \$15,999	\$350	\$70
\$14,000 to \$14,999	\$300	\$60
\$13,000 to \$13,999	\$250	\$50
\$12,000 to \$12,999	\$200	\$40
\$11,000 to \$11,999	\$150	\$30
\$10,000 to \$10,999	\$100	\$20

In addition, there would be a \$50 tax credit for the purchase of an engine modification kit of a standard vehicle to an eligible vehicle type along with proof of installation by a certified technician.

DOT must produce a list of eligible vehicles on January 1st of each year, and the list cannot change for the duration of the year. DOT may consult with DNR on the vehicles eligible for the list.

Finally, AB 371 would require DOT to allow for placement of E85 signs on specific information signs without paying the \$40 fee.

We all know what flex fuel vehicles and hybrids mean to our economy, environment and national security. I believe that neighborhood electric vehicles (NEV's) and plug-in hybrids should receive incentives as well. In addition, I have lowered the amount of credit that can be claimed and

restricted the credit to vehicles manufactured in Wisconsin so as to minimize the fiscal estimate of the bill.

As always, I welcome input on how to improve AB 371 in any way. I would be happy to take any questions at this time.

1. The first part of the report is a general introduction to the subject of the study.

2. The second part of the report is a detailed description of the methods used in the study.